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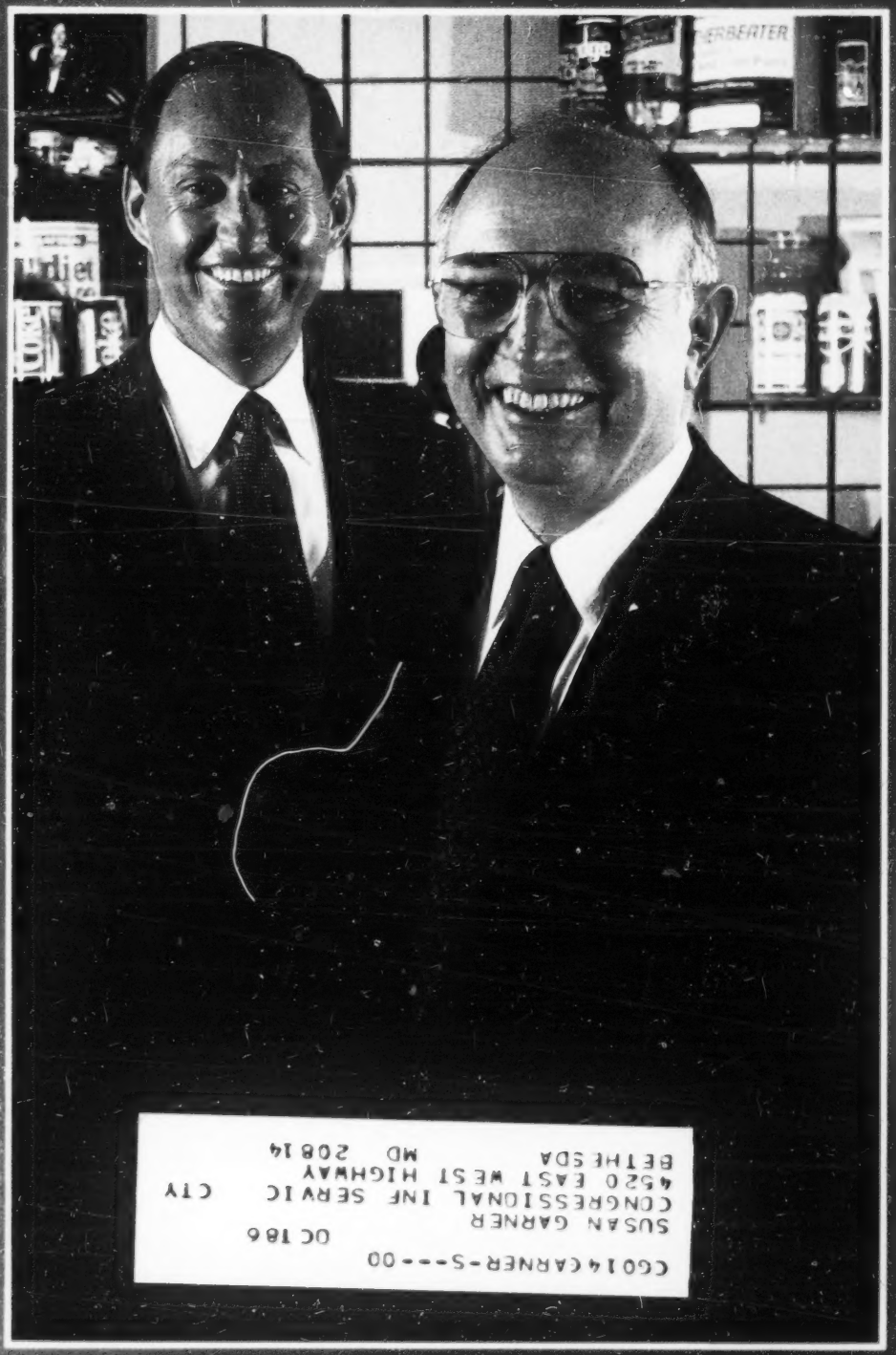

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YES THEY CAN!

Man of the Year Don Kuster (right) and his boss, VP Welden Cole, share distribution profits at Continental Can

ALSO:

Is Transportation Equipped for the Future?

VOL. 84, NO. 11

Chilton's DISTRIBUTION

NOVEMBER 1985

COVER STORY

10 CAN DO!
For the seventh time, DISTRIBUTION, in cooperation with the National Industrial Transportation League, has selected its Man of the Year. Don Kuster, of Continental Can, takes the crown this year.

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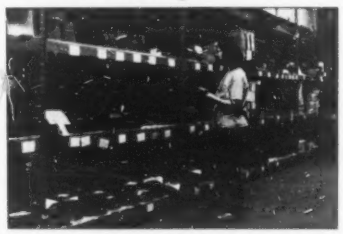

DISTRIBUTION: ISSN 0273-6721; owned by Chilton Co., is published monthly at Chilton Way, Radnor, PA 19089; (215) 964-4000. Chilton Co. is a division of American Broadcasting Companies, Inc., New York, N.Y. Second Class Postage Paid at Wayne, PA 19087 and additional mailing offices. ©CHILTON COMPANY 1985. Subscription rate: U.S. and possessions, $40 per year; Canadian, $50; Foreign $70. Single issue $2.00 except Distribution Guide Issue—$20 per copy. Postmaster: Send form 3579 to DISTRIBUTION, P.O. Box 2105, Radnor, PA 19089. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that the base fee of $1.00 per copy of the article, plus 25¢ per page is paid directly to the CCC, 21 Congress Street, Salem, MA 01970. Special requests should be addressed to the Editor-in-Chief. (0273-6721/85 $1.00 + .25¢.)

It's seldom that we find all, or nearly all, of our readers in agreement on even the tamest of issues, but our Dialogue questions regarding the value of salary surveys reminded us that there are still many opinions which shippers all seem to have in common. The one voice with which readers shouted back their response to our August inquiry indicates the one thing shippers are looking for in salary surveys is more precision. Some want more precise definitions of various job titles. Some want more precise breakdowns by geographic region or by the size of the business. Yet others want job and educational experience, or the differences between industries taken into account. But whether they place more importance on the number of people a manager supervises, or the sales volume he or she handles, all readers are in agreement that salary surveys should "tell us more!"

"I'd like to see salaries broken down by industry, and also broken down for clerical and secretarial positions. Entry-level salaries would be useful too."**—Robert Prescott, manager of transportation services, Degussa Corp., Theodore, Ala.**

"I could use a survey which indicates salary structures geared to specific industries and one which fully explains the functions of each title."**—Jack Deckert, general traffic manager, W. A. Taylor & Co., Miami.**

"Traffic manager or distribution manager of what kind of operation? I'd like to see a description—domestic or international, regional or national, or both domestic and international. Do the people answering these surveys have products requiring one, or all modes of transportation?"**—S. F. Bray, worldwide distribution manager, RCA, Camden, N.J.**

"I want to see a survey of small warehouse managers—the ones that manage only two to four people, but have a lot of responsibility."**—Carl Overman, warehouse manager, Dolco Packaging Corp., Dallas.**

"Most surveys relate to large companies. What about those in the 250-1,000 employee range in various industries? Salaries won't be as high as those in major corporations, but just where do we fall in comparison?"**—James J. Paule, traffic manager, Spangler Candy Co., Bryan, Oh.**

"I would like to see average salary information for small, medium, and large companies, according to sales. Say under $20 million, $20-$100 million, and over $100 million in sales."**—Robert Poppelreiter, traffic manager, Gifford Hill American, Dallas.**

"I'd like to see: salaries by region to adjust for cost of living; salaries

continued

QUESTION OF THE MONTH

BROKERS: A GOOD BET?

The last time Dialogue asked about brokers, the broker boom was just starting, and reader feedback from the card clearly indicated that brokers still had much to do in the way of image projection. Now we seem to be at the peak of the broker craze; the fad appeal of brokering authority now seems to be on the wane, and what's left are those brokers who are serious about doing something with their ability to be a middleman.

The ones that were just dabbling and floundering in the field have fallen back from the pack; a hard core of pretty well established companies now remains. Furthermore, the leading brokering organization, the Transportation Brokers Conference of America, has thrown a great deal of effort into creating a code of ethics and a certification program for its members.

We're still hearing horror stories, though, about "take the money and run" outfits. As we get ready to put together another broker directory, to be published in our Janauary issue, we'd like to see if shippers' perceptions, and use, of brokers has changed. Are brokers to be vaunted, or still to be avoided. Let us know what you think by filling in the card below.

DIALOGUE November 1985

- My use of property brokers to locate carriers and arrange transportation of my freight has: _____increased; _____decreased; _____not changed in the last two years.
- My current perception of brokers can best be summed up in this way: _____avoid them at all costs, _____they are a viable option only in emergencies and unique situations; _____they can be a viable option that can be part of my everyday distribution routine.
- I am _____impressed/_____not impressed by the efforts of brokers to create higher qualifications and ethical standards within their ranks. I think it _____will/_____will not lead to an improvement of the brokers' image and performance.
- If I need a broker, I locate one through: _____word-of-mouth; _____personal contact; _____Yellow Pages or other public directory; _____professional rosters; _____other (describe):_____
- My own company _____has/_____has not made good use of its own brokering authority to locate backhauls either for our own private fleet or for the for-hire carriers we use.

Here's a brief summation of the extent of my personal dealings with property brokers:

_____

_____

_____

_____

_____

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that have caught the ears of *DISTRIBUTION* editors:)

"Since the latter part of the fourth quarter last year, the economy has been soft in just about every category. It is just bewildering to me and others in the industry as to why economists have a hard time sorting out what is happening. They should just look at load figures of railroads and trucks."**—Harry J. Bruce, chairman, Illinois Central Gulf Railroad.**

•

"It is self-evident that a wealth of specialized expertise, experience, and, not least, foreign office networks are needed for the dispatch and shipping of freight throughout the world. It is therefore not enough [for an air forwarder] to pick up the merchandise promptly at the shipper's and to deliver it to the carrier. The decisive planning and organizational work must be undertaken before a shipment becomes 'air cargo,' especially as in many instances the airfreight charges are more than the value of the cargo."**—Herbert Braunagel, vice chairman, FIATA Airfreight Institute.**

by education; salary progressions—starting salary, at 5 years, 1o years, etc.; and perks, if any, and the salary equivalent."**—Ed Mulderick, warehouse/traffic manager, Westvaco, New Orleans.**

"Average salaries should be broken down by region or based upon the degree of job responsibility."**—Marsha Branson, traffic manager, California Cooler, Inc., Stockton, Calif.**

"I'd like to see a salary listing of traffic and distribution management from a cross section of industries."**—Karl H. Meyer, physical distribution manager, Barth & Dreyfuss, Los Angeles.**

"Since my company is small, I wear many hats. Therefore, the title of distribution manager includes responsibilities in all of the areas mentioned in these surveys. I'd like to see something on the salaries of people in similar situations."**—Unsigned.**

"The size of the organization has to be given more consideration. What a traffic manager is in one company may be just a clerical function in another."**—Unsigned.**

"I need a better description of the jobs being rated. What functions do these people really perform? Job titles are becoming less and less useful in this field."**—Unsigned.**

BRINGING HOME THE BACON

I use salary studies to determine salaries of the people I manage	39%
I don't use salary studies	41%
I use salary studies when negotiating my own salary	43%
I don't use salary studies	41%
The "average" salaries I've seen published are too high	18%
too low	20%
about right	57%
I think my own salary is above average	9%
below average	53%
average	31%
Reader estimates of average salaries for the following job titles (mean/median):	
Rate analyst	$24,000/$20,000
Warehouse manager	$31,000/$34,000
Inventory control manager	$34,000/$35,000
Private fleet manager	$35,000/$35,000
Traffic manager	$35,000/$37,000
Distribution manager	$40,000/$37,000
Distribution vp	$56,000/$65,000

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CAREERS

WHERE DO YOU FIT IN?

For the fourteenth time, the Logistics Research Group of The Ohio State University has provided the benchmarks that let you know just where you stand among your peers

By Bernard J. LaLonde, Ph.D
and Larry W. Emmelhainz

AVERAGE COMPENSATION 1985

	Manager	Director	Vice President
Top Quarter	$83,730	$101,840	$140,000
Second Quarter	$56,360	$78,870	$117,170
Third Quarter	$46,730	$85,200	$95,330
Lowest Quarter	$35,270	$51,290	$84,170
High	$28,000	$22,000	$50,000
Low	$125,000	$132,000	$205,000
Average	$55,520	$72,410	$106,440

CHANGES IN COMPENSATION 1985 OVER 1984

PERCENT CHANGE	PERCENT
Lower than 1984	0.0%
No Change	0.7%
2-4% increase	3.9%
5-6% increase	20.4%
7-8% increase	31.8%
9-10% increase	23.0%
11-15% increase	11.2%
Over 15% increase	9.2%
Average	9.7%

AVERAGE COMPENSATION

Compensation for each of the three levels of executives increased on the average, with the manager category increasing the least. Unlike the previous two years, where 10 percent of the executives reported either no change in pay over the previous year or a decrease, none of the 1985 respondents reported a decrease in salary and only one executive reported no change. Over 50 percent of the executives received an increase of from 7 to 10 percent, with the average pay raise being 9.7 percent.

Our analysis also showed that pay was positively correlated with years in the job, years working for the present employer, job title, and the size of the executive's budget responsibility. Change in pay, however, was inversely correlated with years on the job, years with the present employer, and age. Change in pay was positively correlated with the level of education, but was not correlated at all with the level of budget responsibility. These relationships suggest that the highest levels of pay go to those executives who have been with the same firm for some time and have assumed large levels of responsibilities both in terms of budget and job title. The largest increases in pay, however, were generally obtained by those people who had moved into their present job within the last few years, were younger, and had higher levels of education.

ABOUT THE AUTHORS

Dr. LaLonde is Mason Professor of Transportation and Logistics, and Larry W. Emmelhainz is a major in the Air Force and a research associate. Both work at The Ohio State University. *The authors wish to acknowledge the Logistics Research Fund of The Ohio State University, which provided financial support for this project.*

This marks the fourteenth consecutive year that the Logistics Research Group at The Ohio State University has surveyed logistics executives with the intent of better understanding their career patterns. From its inception in 1972, the survey has continued to identify specific information relative to the executives' education, compensation, work experience, and general demographics. It has been expanded to include questions which probe the attitudes of logistics executives toward current issues as well as future aspects of the logistics environment.

The 1985 survey was specifically designed to better understand:

1. The organization of the logis-

continued on p. 34

LOGISTICS ACTIVITIES TIME AND FUNCTION 1985

	MANAGERS		DIRECTORS		VICE PRESIDENTS	
	AVERAGE TIME SPENT (%)	CONSIDERED A LOGISTICS FUNCTION (% YES)	AVERAGE TIME SPENT (%)	CONSIDERED A LOGISTICS FUNCTION (% YES)	AVERAGE TIME SPENT (%)	CONSIDERED A LOGISTICS FUNCTION (% YES)
Traffic	17.3	93.0	14.2	97.0	13.5	100.0
Warehousing	18.0	93.0	13.8	95.0	13.9	98.0
Inventory	5.7	67.0	8.5	81.0	7.4	77.0
Order Entry/Processing	5.5	42.0	4.8	67.0	5.0	80.0
International	5.8	88.0	4.6	74.0	2.1	45.0
General Administration	15.8	73.0	21.3	81.0	23.4	87.0
Procurement	1.9	29.0	3.6	44.0	6.8	45.0
Packaging	1.2	34.0	1.9	37.0	1.9	34.0
Strategic Planning	6.8	64.0	5.1	61.0	5.1	79.0
Sales Forecasting	1.8	16.0	1.6	38.0	1.3	34.0
Budgeting	4.1	81.0	4.9	81.0	3.8	79.0
Product Planning	1.2	19.0	1.2	26.0	0.6	18.0
Other Logistics	3.9	96.0	4.1	94.0	4.6	90.0
Interacting with Other Functions	11.0	83.0	10.4	88.0	10.6	92.0
	100.0%		100.0%		100.0%	

TIME DEMANDS

This year's questionnaire was again designed to determine the percentage of the executive's time spent performing various logistics activities. Directors and vice presidents spend more time in general management and administration than in any other single activity. Managers spend less time in general administration, but these responsibilities still require an average of nearly 16 percent of their time. Traffic and warehousing consume the most of the traditional logistics activities, ranging from 35 percent for managers to about 28 percent for directors and vice presidents. Regardless of job title, logistics executives spend over 10 percent of their time interacting with other functional areas, confirming that the integrative nature of logistics necessitates coordination throughout the firm.

In addition to asking executives the amount of time they spend in these various activities, executives were asked to indicate whether or not each activity was considered a logistics function in their firm. Three interesting observations can be made from the responses provided.

First, there is very little that all logistics executives agree upon. In only one instance did one of the three groups (vice presidents) agree 100 percent that an activity (traffic) was considered a logistics function in their firm.

Second, in two instances there was a significant difference between managerial levels as to whether the activity was considered a logistics function by the firm or not. Vice presidents and directors were in much stronger agreement than managers that order entry and processing was a logistics function in their firm. In addition, managers and directors were in much closer agreement than vice presidents relative to whether international was a logistics function.

Third, using a 50 percent agreement as a standard as to whether an activity is a logistics function or not, four of the activities included in the questionnaire were not considered logistics functions. These four were procurement, packaging, sales forecasting, and product planning.

tics function;

2. The responsibilities of top logistics executives;

3. The demographic characteristics of those executives;

4. A future perspective.

To meet these goals a four-page questionnaire was designed and mailed at the end of July, 1985 to 719 members of the National Council of Physical Distribution Management (NCPDM) and other industry executives identified from supplementary mailing lists or rosters. To be sure that the questionnaire represented perceptions of top logistics executives, the questionnaire was mailed to the individual with the highest perceived position if there were two executives with the same firm in the sample. Responses from people who did not appear to have a senior executive logistics position were deleted from the database. The responses which were usable represented 161 executives, a 22.4 percent response rate, and form the basis for this article. These responses are from 94 different three-digit Zip codes and include concentrations of responses from the food, chemical and plastics, and pharmaceutical and health care industries.

While the intent was to obtain the perspectives of the highest ranking logistics executives, these people seldom have as their job title, "top executive." Generally, the executives responding to our

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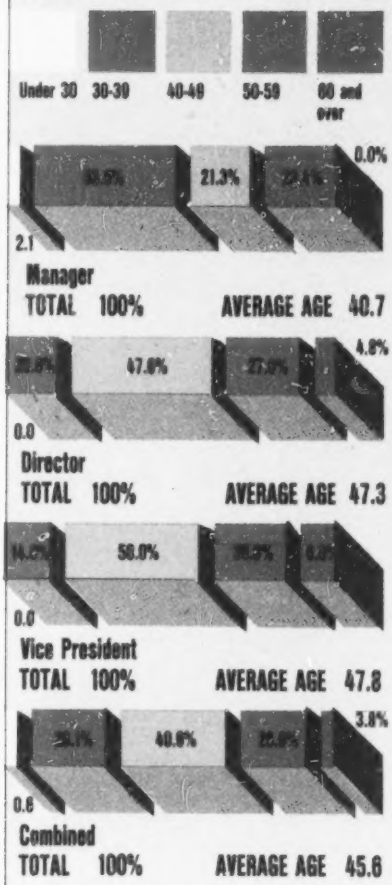
AGE DISTRIBUTION 1985



EDUCATIONAL BACKGROUND 1985

Level	Percent
High School Graduate	2.0%
College, non-degree	5.2%
College Graduate	41.2 %
Graduate School, non-degree	9.1%
Master's Degree	41.2%
Doctorate	1.3%

UNDERGRADUATE DEGREE MAJOR 1985

Level	Percent
Business Administration	21.3%
Engineering and Sciences	13.2%
Transportation	12.5%
Liberal Arts	8.1%
Industrial Engineering/ Management	10.3%
Economics	8.7%
Marketing	5.4%
Other	20.5%
TOTAL	100%

EXECUTIVE CHARACTERISTICS

This year's respondents continue to be relatively young. The overall average was 46, with the youngest (a manager) 29 and the oldest (a vice president) 65. As was first seen last year, most vice presidents and directors are in the 40-49 age group. The average age for both of these groups is about 47 years. Managers were predominantly aged 30-39, with an average age of just under 41 years old.

Over 98 percent of the executives have some college, and as was the case last year, 93 percent are college graduates. These degrees are from a variety of academic areas, just as has previously been the case. The only significant change appears to be a decline from 22 percent to 13 percent in degrees from engineering and sciences.

EDUCATIONAL NEEDS 1985

Area	First Choice	Second Choice
Finance, Accounting	22.4%	20.8%
Computers, Information Processing, Modeling with Micros	31.3%	17.5%
General Management, Strategic Planning	9.7%	10.8%
Marketing	3.0%	7.5%
Personnel, Organizational Behavior, Humanities	8.2%	10.8%
Logistics, Transportation	14.9%	18.3%
Other	10.5%	14.3%

EDUCATIONAL NEEDS

Considering the changes logistics executives anticipate, there is some logical rationale for the subjects the executives consider important to their own self development. These are subjects they would take if given three months leave of absence to study any subject area they wished. Most executives felt they needed more knowledge in the use of computers. This included modeling with microcomputers and better information processing. Formal financial education failed to be the most frequently mentioned subject for only the second time in the 14-year history of this research. This has been caused more by the greater acceptability of computers into logistics and the growing recognition by logistics executives of the need to obtain increased competence in this subject area than by any decrease in the need for financial education. The proportion of executives indicating a need to study logistics topics increased from 5 percent to 15 percent as a first choice and from 5 percent to 18 percent as a second choice.

MAJOR FACTORS EXPECTED TO INFLUENCE THE GROWTH OF THE CORPORATE LOGISTICS FUNCTION DURING THE NEXT DECADE 1985

FACTOR	MOST IMPORTANT	2nd MOST IMPORTANT
Computers, Communication	16.3%	22.7%
Costs (includes transportation)	15.0%	19.9%
Customer Service Demands	10.9%	10.6%
Inventory Management, J.I.T.	12.2%	4.3%
Top Management Awareness	8.8%	7.8%
Transportation/Deregulation	6.1%	7.8%
Increased Productivity	8.2%	6.4%
Competing in Marketplace	8.9%	5.0%
Growth/Decline of Business	8.2%	3.5%
International Business	2.7%	2.8%
Economic Factors	0.7%	2.8%
Other	2.0%	6.4%

PROJECTED CHANGE IN TOTAL LOGISTICS COSTS 1986 OVER 1985

INCREASE OR DECREASE	RESPONDENTS
Over 8% increase	14.9%
8%	3.3%
7%	3.3%
6%	7.4%
5%	22.3%
4%	19.0%
3%	9.9%
2%	5.8%
1%	1.7%
0%	6.6%
Decrease over 1985	5.8%
Average Change	6.0%

FUTURE EXPECTATIONS

Executives identified numerous factors which they felt would influence the growth of the corporate logistics function during the next decade. The ability to adapt computers and communication technology to better manage information for decision-making leads the list of factors considered most important. The second most frequently mentioned factor was the ability to control or reduce costs in order to generate profits.

Many executives identified specific logistics functions as becoming the most influential over the next ten years. These included being able to respond to customer demand for better and more consistent service; management expecting lower inventories, perhaps through implementing just-in-time concepts; and continuing to meet the opportunities or problems generated as the result of transportation deregulation.

It is interesting to consider the executives' projections of logistics costs in 1986 over 1985 since the executives expect logistics costs to play such a dominant role in the future. Generally, the executives surveyed anticipated relative stability in their logistics costs. Total logistics costs were expected to increase by 6 percent in 1986 budget projections compared to the costs experienced for 1985. That average may be misleading, however. Over 71 percent of the executives expect costs to change by less than a 6 percent increase. Fifty-one percent expect costs to increase by 3 percent to 5 percent, and 12 percent expect costs to either decline or to remain unchanged in 1986.

survey can be classified as manager, director, or vice president. Although there are other titles used, these categories have facilitated the broad trend analysis over the years.

The reader is cautioned to keep in mind that the responses to this survey continue to be anonymous. Thus, year-to-year comparisons may not be from the same group of executives and differences may represent random occurrences. The large number of responses each year, however, and the year-to-year consistency of the database suggest an adequate basis for projecting long-term trends.

There appear to some fundamental changes that this year's survey confirms as continuing to impact the logistics function.

- The first trend which was identified three years ago is a recognition of the impact of technology in general and information in particular on the role of the logistics function in the firm. The impact of this trend is made more complex by the speed with which new technology is being developed and applied.
- A second important and continuing trend that the current survey found evidence to support is the trend towards logistics integration. Both in terms of functional responsibility and reporting relationships, the logistics responsibility is broadening to map the materials flow process. Organizational formats are being developed which are breeching the traditional barriers of production and procurement.
- The third trend is in the positioning of the logistics function. Over the 14 years of the annual survey, the logistics function has clearly been repositioned in many firms. This conclusion regarding repositioning stems from a number of different pieces of evidence. First, the number of vice presidents and directors as a percent of total respondents has increased substantially over the past five years. Second, the average salary data strongly suggest a repositioning of the logistics function in many firms. Third, the functional responsibility of the logistics executive supports a broadened view of the logistics function in the firm.

An underlying thread of the survey results during the past several years is the speed with which change is occurring in the logistics function. The logistics executive can no longer sit patiently on the sidelines and wait for the game to develop before executing the logistics plan. In many firms, the logistics manager is on the first team and must be in the game from the time the whistle blows.